

The First Mortgage Bonds referred to herein are being offered in Canada, but not in the United States of America. This offering circular is not, and under no circumstances is to be considered as an offering of this issue for sale in the United States of America or the territories or possessions thereof, or an offering to any resident thereof, or a solicitation of an offer from any such resident to buy any of this issue.

NEW ISSUE

\$1,750,000

The Great Lakes Paper Company, Limited

(Incorporated under the laws of the Province of Ontario)

First Mortgage Sinking Fund Bonds, 3½% Series due 1967

To be dated August 1, 1947

To mature August 1, 1967.

Principal and half-yearly interest (February 1 and August 1) and redemption premium, if any, payable in lawful money of Canada at the principal office of the Company's bankers in Halifax, Saint John, Montreal, Ottawa, Toronto, Hamilton, London, Winnipeg, Regina, Calgary or Vancouver at the option of the holder. Coupon bonds registrable as to principal only in the denomination of \$1,000. Redeemable for sinking fund or otherwise, subject to the provisions of the authorizing Deed of Trust and Supplemental Indenture, at any time in whole or from time to time in part at the option of the Company on at least thirty days' notice at their principal amount plus a premium of 3% if redeemed on or before August 1, 1950; thereafter at a premium of 2¾% if redeemed on or before August 1, 1952; the premium thereafter decreasing ¼ of 1% for each year or fraction thereof elapsed after August 1, 1952 to a premium of 1% if redeemed on or before August 1, 1959; the premium thereafter decreasing ⅛ of 1% for each year or fraction thereof elapsed after August 1, 1959 to a premium of ⅛ of 1% if redeemed on or before August 1, 1966 and without premium if redeemed thereafter and prior to maturity; together, in each case, with accrued interest to the redemption date.

Under a Deed of Trust and Mortgage heretofore entered into and a Supplemental Indenture to be entered into securing the First Mortgage Sinking Fund Bonds, 3½% Series due 1966 (previously issued) and the First Mortgage Sinking Fund Bonds, 3½% Series due 1967 (this issue), the Company is and will be obliged to make in each year in respect of the Bonds of each Series certain fixed sinking fund payments which are estimated to provide respectively for the redemption of approximately 83% of the principal amount of Bonds of the 1966 Series and of the 1967 Series prior to their respective maturities. The Company has also covenanted to make certain other fixed sinking fund payments and contingent sinking fund payments in respect of the Bonds of the 1966 Series to provide for the redemption of additional principal amounts of Bonds of the 1966 Series prior to their maturity. All Bonds redeemed by operation of the sinking fund are to be cancelled and not re-issued.

Trustee: National Trust Company Limited

In the opinion of Counsel these Bonds will be investments in which companies registered under The Canadian and British Insurance Companies Act, 1932 (Dominion) as amended, may invest their funds.

CAPITALIZATION

(after giving effect to this present financing)

	Authorized	Issued
First Mortgage Sinking Fund Bonds	\$ 6,500,000	
3½% Series due 1966		\$ 4,750,000*
3½% Series due 1967 (this issue)		\$ 1,750,000
Class "A" Preference Shares, no par value	100,000 shs.	100,000 shs.
Class "B" Preference Shares, no par value	100,000 shs.	100,000 shs.
Common Shares, no par value	500,000 shs.	400,000 shs.

*The First Mortgage Sinking Fund Bonds, 3½% Series due 1966, are payable in Canadian and/or United States funds and are outstanding in the principal amount of \$4,570,000, as \$180,000 principal amount of Bonds of this Series were redeemed through the operation of the sinking fund on May 1, 1947.

We, as principals, offer the First Mortgage Sinking Fund Bonds, 3½% Series due 1967 subject to prior sale and change in price, if, as and when issued by The Great Lakes Paper Company, Limited and subject to the approval of all legal details on our behalf by Messrs. Daly, Thistle, Judson & McTaggart, Toronto, who are also Counsel for the Company.

PRICE: 100 and accrued interest to yield 3½%

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that temporary Bonds will be available for delivery on or about August 28, 1947. The temporary Bonds will be exchanged later for definitive bonds.

McLEOD, YOUNG, WEIR & COMPANY LIMITED

Metropolitan Building
Toronto
Elgin 0161

276 St. James St. W.
Montreal
Harbour 4261

Hamilton
7-1919

Ottawa
2-1777

London
Metcalfe 1465

Quebec
7464

August 7, 1947

(Letterhead)
THE GREAT LAKES PAPER COMPANY, LIMITED
Office of the President

Toronto, Ontario,
August 7, 1947.

McLeod, Young, Weir & Company Limited,
Wood, Gundy & Company Limited,
Gairdner & Company Limited,
Toronto 1, Canada.

Dear Sirs:—

With reference to your purchase of \$1,750,000 principal amount of First Mortgage Sinking Fund Bonds, 3½% Series due 1967 proposed to be issued by The Great Lakes Paper Company, Limited, we have pleasure in providing the following information:

The Company

The Great Lakes Paper Company, Limited was incorporated under the laws of the Province of Ontario in 1936. Its Head Office and mill are located at Fort William, Ontario while Executive Offices are maintained in Toronto, Ontario. The Company has a rated daily production capacity of 385 tons of newsprint and 140 tons of commercial sulphite pulp. Its manufacturing facilities, consisting of a two-machine newsprint mill, groundwood pulp and sulphite pulp departments, steam plant, equipment for handling raw materials, paper storage building and other supporting facilities, are well integrated and efficiently operated. Manufacturing processes have kept pace with technological developments in the industry.

The site of the mill on the Kaministiquia River, a few miles from its mouth on Lake Superior, is ideally located as it affords a source of good water, a protected position with respect to water delivery of wood and excellent dockage facilities for the delivery of coal, sulphur and limestone and the shipment of newsprint and pulp to customers via the Great Lakes. The Company occupies a favourable competitive position with other Canadian producers of newsprint and sulphite pulp.

Pulpwood Resources

Timberlands presently controlled by the Company under long-term Government concessions and annual licenses, together with such timberlands as are owned by the Company by freehold title, cover an area of over 3,500 square miles in Ontario, north and northwest of Lake Superior, and are well situated in relation to the mill. It is estimated that this area contains over 13,500,000 cords of merchantable pulpwood and that over 11,000,000 cords are suitable to the Company's newsprint and sulphite pulp operations. Approximately 223,000 cords of wood are annually required for capacity operations.

The Company's forest working plan, based on a growth cycle or rotation period of 75 years, is estimated to provide a sustained cutting yield in perpetuity of 192,000 cords of suitable wood per year from present timber holdings. In order to conserve its controlled timber stands, the Company follows the policy of purchasing a portion of its wood requirements from independent contractors who are economically located with respect to the mill. In addition, representations have been made to the government of the Province of Ontario to obtain additional pulpwood reserves to place the Company on a perpetual sustaining basis.

Since 1936 the Company has expended more than \$1,750,000 in the development of its woodlands and for woods equipment. The geographical location of the areas comprised in its principal timber concessions in relation to its mill is such as to provide the advantage of flexibility in the matter of wood deliveries by both rail and water since rail delivery from certain cutting areas enables the Company to maintain a flow of wood between driving seasons.

Power Supply

The Company's primary electric power supply is obtained from the Thunder Bay Division of The Hydro-Electric Power Commission of Ontario. Further electric power is available from the operation of steam turbine equipment located in the Company's steam plant. Steam requirements are produced from the Company's own boiler installations with auxiliary facilities for bark pressing and burning equipment, coal handling and coal storage.

Labour Conditions

The Company employs approximately 860 workers in its mill operations, of which number approximately 590 are employed in the mill proper and 270 are engaged in the various phases of wood handling and wood preparation in the yard and dock areas.

For its woods operations, the Company has a well trained and qualified staff of approximately 65 and a working force of from 2,500 to 3,000 during the height of the cutting season.

Labour contracts are uniform throughout the newsprint and pulp industry in Ontario and labour relations in the industry, including those of the Company, have been favourable.

The Company provides industrial relations services for the benefit of its employees which compare favourably with those provided by similar industries and include contributory employees' pension plan, group life insurance and medical services.

Markets

The entire newsprint production of the Company is marketed under contract to nineteen publishers in the United States of America. All contracts are effective until December 31, 1955 and carry a provision for their renewal until December 31, 1960. These contracts provide the Company with an

assured volume of business, aggregating approximately 120,000 tons of newsprint per year and contain provisions whereby the Company may revise its prices from time to time in accordance with existing market conditions. Under this marketing arrangement, the Company is able to operate its newsprint facilities at or near capacity. More than 90% of the contracted newsprint tonnage is taken by publishers located in Illinois, Michigan and Wisconsin, which enables the Company to make economical deliveries by water routes. The proximity of the Company's principal market and its accessibility by cheap water transportation provides the Company with an important advantage.

The Company's output of commercial sulphite pulp is principally sold to non-integrated paper companies and converters advantageously located in neighbouring United States areas adjacent to the Great Lakes.

In 1946 the Company shipped 123,175 tons of newsprint and 45,360 tons of commercial sulphite pulp.

Purpose of Issue

The purpose of the sale of the First Mortgage Sinking Fund Bonds, 3½% Series due 1967 is to supply the Company with the money which with other general funds of the Company will be necessary to complete a programme, initiated in the later part of 1946, for increasing the capacity and efficiency of the mill. The total estimated cost of the entire programme is approximately \$2,625,000 and it is anticipated that the work will be completed in 1948. It is expected that these expenditures will enable the Company to increase its annual capacity by 20,000 to 25,000 tons of newsprint and to effect important savings through lower production costs. It is anticipated that the additional newsprint will be taken up by the Company's present customers to meet their increased requirements for paper.

SECURITY

The Company has heretofore authorized the issue from time to time in Series of its First Mortgage Bonds in the aggregate principal amount of \$6,500,000.00 in lawful money of the Dominion of Canada, or in lawful money of the United States of America, or in both currencies, or partly in one currency and partly in the other, at the option of the Company, to be issued under and secured by a Deed of Trust and Mortgage dated as of 1st August, 1946 (hereinafter sometimes referred to as the "Original Trust Deed"), made between the Company and National Trust Company Limited, as Trustee, and all Indentures supplemental thereto. Under the provisions of said Original Trust Deed the Company has heretofore issued its First Mortgage Sinking Fund Bonds, 3½% Series due 1966 (hereinafter sometimes referred to as the "Bonds of the 1966 Series"), in the principal amount of \$4,750,000.00, payable as to principal and interest, and premium if any, optionally in lawful money of the Dominion of Canada or in lawful money of the United States of America, and the said Bonds of the 1966 Series are now outstanding in the principal amount of \$4,570,000.00, payable in the currencies above mentioned. The Bonds offered by this Prospectus, which are designated "First Mortgage Sinking Fund Bonds, 3½% Series due 1967 and which are hereinafter sometimes referred to as the "Bonds of the 1967 Series," will be issued under the authority of and be secured by said Original Trust Deed and an Indenture supplemental thereto, to be dated as of the 1st day of August, 1947, and to be made between the Company and National Trust Company Limited, as Trustee (hereinafter sometimes referred to as the "Supplemental Indenture"), and will constitute the remaining \$1,750,000.00 in principal amount of the First Mortgage Bonds authorized by said Original Trust Deed. The Bonds of the 1967 Series will be payable as to principal, interest, and premium if any, in lawful money of Canada only. The said Bonds of the 1966 Series and the said Bonds of the 1967 Series will be equally and rateably secured by the said Original Trust Deed and said Supplemental Indenture and all other Indentures supplemental thereto, except in so far as any sinking, amortization, renewal or other analogous fund established in accordance with the provisions of the said Original Trust Deed and Supplemental Indenture may afford additional security for the Bonds of either Series.

The said Original Trust Deed and said Supplemental Indenture, in the opinion of Counsel, will together comprise the following security:

(a) A first fixed and specific mortgage, pledge or charge of and on:

(i) All of the Company's freehold property (including such of the Company's timber lands as are held by freehold title, but excluding minor parcels of little commercial value) as more particularly described in the Second and Third Schedules of said Original Trust Deed and all buildings and fixed plant, fixed machinery and fixed equipment erected thereon, including the Company's pulp and paper mill and plant; and

(ii) The timber concessions (and all rights of renewal thereunder) embodied in the Agreement dated 14th March, 1940, made between the Government of the Province of Ontario and the Company, by which the Company has been granted, for a period of twenty-one years from the 1st day of April, 1940, subject to renewal for a further period of twenty-one years as provided in said Agreement, cutting rights over the Crown lands described in said Agreement and comprising the areas known as the Black Sturgeon Area, Dog River Area, Lac des Mille Lacs Area and the English River Area, having an aggregate area of approximately 2,726 square miles;

(iii) All shares owned by the Company in the Capital Stock of its wholly owned subsidiary Superior Timber Company, Limited;

(b) A first floating charge (registered under the provisions of The Corporation Securities Registration Act of Ontario) on the undertaking and all present and future assets of the Company not specifically mortgaged; and

(c) As a condition precedent to the issue of the Bonds of the 1967 Series, the Company is obliged to deposit with National Trust Company Limited, Trustee, the sum of \$1,750,000.00 in cash, which will form part of the specifically mortgaged property for the security of all of the First Mortgage Bonds of the Company until withdrawn from time to time by the Company and paid out by the Trustee to the Company in accordance with and subject to the provisions of the Original Trust Deed and Supplemental Indenture to the extent of two-thirds of the cost or fair value, whichever is less, of Property Additions (as defined by the Original Trust Deed) which have been or shall have been acquired or constructed by the Company since the 1st day of August, 1946, and which shall have become part of the specifically mortgaged property.

The Original Trust Deed is expressed to cover all real estate and immovable properties, timber limits, timber licenses, timber leases, licenses of occupation and rights of renewal thereof and similar property which may be acquired by the Company subsequent to the 1st day of August, 1946.

The Original Trust Deed contains provisions for the release of properties and assets which are subject to the specific mortgage, pledge and charge created thereby and by Indentures supplemental thereto, but only in the events and upon the conditions therein set forth.

In addition to the security created by the Original Trust Deed and Supplemental Indenture, the Original Trust Deed contains various restrictive covenants and provisions for the protection of the holders of the First Mortgage Bonds of the Company, including provisions restricting, within the limits thereby prescribed, the creation of indebtedness, the making of capital expenditures and the payment of dividends on shares of the Capital Stock of the Company.

SINKING FUND

Under the terms of the Original Trust Deed and Supplemental Indenture the Company is and will be obliged to make on the 30th day of April in each year, certain fixed sinking fund payments in respect of the Bonds of each Series to provide for the redemption on the 1st day of May in each such year of Bonds of the 1966 Series and Bonds of the 1967 Series respectively, as follows:—

Sinking Fund Redemption Date	Sinking Fund Payments in each of the years 1947 to 1965 inclusive, sufficient to redeem the following principal amounts of Bonds of the 1966 Series (In U.S. or Can. Funds at holders' option)	Amount of Sinking Fund Payments in each of the years 1948 to 1966 inclusive for the re- demption of Bonds of the 1967 Series
May 1, 1947	\$ 150,000	\$ —
May 1, 1948	155,000	55,000
May 1, 1949	160,000	57,000
May 1, 1950	167,000	59,000
May 1, 1951	172,000	61,000
May 1, 1952	178,000	63,000
May 1, 1953	184,000	66,000
May 1, 1954	191,000	68,000
May 1, 1955	198,000	70,000
May 1, 1956	204,000	73,000
May 1, 1957	212,000	75,000
May 1, 1958	219,000	78,000
May 1, 1959	226,000	81,000
May 1, 1960	235,000	83,000
May 1, 1961	243,000	87,000
May 1, 1962	251,000	90,000
May 1, 1963	260,000	92,000
May 1, 1964	269,000	96,000
May 1, 1965	278,000	99,000
May 1, 1966	—	102,000
	<u>\$3,952,000</u>	<u>\$1,455,000</u>

These fixed sinking fund payments are estimated to provide respectively for the redemption of approximately 83% of the Bonds of the 1966 Series and of the Bonds of the 1967 Series before their respective maturities.

In addition, Bonds of the 1966 Series carry certain other fixed sinking fund and contingent sinking fund provisions to provide for the redemption of additional Bonds of the 1966 Series prior to maturity. Such other sinking fund payments have already provided for the redemption of an additional \$30,000 principal amount of Bonds of the 1966 Series on May 1, 1947. The security of the Bonds of the 1967 Series will be enhanced through the acceleration of the redemption of the funded indebtedness of the Company by means of these additional sinking fund payments.

Under the terms of the Original Trust Deed and Supplemental Indenture the Company will have the right to satisfy the respective sinking fund obligations in respect of the Bonds of the 1966 Series and the Bonds of the 1967 Series by delivering to the Trustee Bonds of the respective Series which will be credited against the sinking fund obligations in amounts equal to the principal amount of the Bonds so delivered and in the case of the Bonds of the 1966 Series in an additional amount not exceeding six months' accrued interest on the Bonds so delivered. Unless specifically requested by the Company, the Trustee will not call Bonds of the 1967 Series for redemption for account of the sinking fund if the cash in the sinking fund available for such purpose amounts to less than \$100,000. The said Original Trust Deed and Supplemental Indenture also contain provisions permitting an increase in the respective fixed sinking fund payments for each Series by amounts not in excess of the amount of the fixed sinking fund payment which the Company elects so to increase, such increase in respect of the Bonds of the 1967 Series to be not greater than the proportionate increase in respect of the Bonds of the 1966 Series, with the proviso that 50% of any such increase shall (subject to a limitation in respect of the Bonds of the 1966 Series) establish a credit which may be applied toward the satisfaction of any fixed sinking fund payment payable thereafter.

Earnings

The following report has been received from the Company's auditors, Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto:

THE GREAT LAKES PAPER COMPANY, LIMITED STATEMENT OF EARNINGS FOR THE TEN YEARS ENDED 31ST DECEMBER, 1946

Year ended 31st December	Earnings from operations and miscellaneous income before deducting provisions for depreciation and depletion, bond interest and taxes on income	Provision for depreciation	Provision for depletion	Earnings before deducting bond interest and taxes on income	Bond interest (on bonds outstanding from time to time)	Earnings before taxes on income	Provision for taxes on income (note 5)	Net earnings
1937	\$ 924,395	\$437,261	\$ 8,449	\$ 478,685	\$315,000	\$ 163,685	\$ 25,070	\$ 138,615
1938	834,818	446,555	40,514	347,749	313,667	34,082	5,528	28,554
1939	1,175,944	449,521	—	726,423	305,001	421,422	81,443	339,979
1940	1,826,093	561,282	15,070	1,249,741	331,466	918,275	400,000	518,275
1941	2,036,247	617,993	55,447	1,362,807	329,661	1,033,146	480,000	553,146
1942	2,233,583	748,362	74,127	1,411,094	287,720	1,123,374	590,000	533,374
1943	1,743,102	768,098	130,203	844,801	277,875	566,926	278,000	288,926
1944	1,668,358	685,845	123,449	859,064	273,390	585,674	265,000	320,674
1945	1,618,268	652,327	127,494	838,447	266,136	572,311	251,000	321,311
1946	3,851,059	780,128	212,107	2,858,824	256,543	2,602,281	1,550,000	1,052,281

NOTES:

- (1) The company's subsidiary operates without profit or loss, its only transactions consisting of the sale of timber to the parent company at a price equivalent to the depletion provided thereon in the subsidiary's accounts.
- (2) The earnings shown above do not include capital profits arising from the sale of investments and fixed assets; similarly premiums paid on the redemption of the company's bonds from time to time and expenses incidental to such redemptions and to the rearrangement of share capital have not been deducted.
- (3) Amounts of \$100,000 provided in each of the years 1940 and 1941 as a reserve against inventories have not been deducted in arriving at the earnings shown above nor have such amounts or any portion of them which may be claimable for excess profits tax purposes, been deducted in calculating the annual provisions for taxes on income.
- (4) Except for the years 1940 to 1943 inclusive, when 6% was provided, the annual provisions for depreciation on mill, buildings, machinery and equipment have been calculated at 5%. The amounts provided for depletion represent 50c. per cord up to and including the fiscal year ended 31st December 1940 and \$1.00 per cord thereafter; no pulpwood was cut from the company's limits in 1939.
- (5) Dominion taxes on income have been assessed only to 31st December 1939. The annual provisions shown above for the years 1937 to 1939 inclusive have been adjusted to give effect to such assessments; the amounts shown for the subsequent years are the amounts estimated to be payable. The provision for the year 1942 is after deducting the estimated refundable portion of that year's taxes, \$12,000; no portion of the remaining years' taxes is refundable.

The Directors,
The Great Lakes Paper Company, Limited,
Toronto, Canada.

We have examined the statement of earnings of The Great Lakes Paper Company, Limited and we report that in our opinion the above statement, together with the related footnotes fairly presents the earnings of the company for the ten years ended 31st December 1946.

Toronto, Canada, July 28, 1947.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Maximum annual interest charges on the First Mortgage Sinking Fund Bonds, 3½% Series due 1966 and 1967 outstanding upon the completion of this present financing (after giving effect to the redemption through the sinking fund as of May 1, 1947 of \$180,000 principal amount of Bonds of the 1966 Series) amount to \$221,200, of which \$159,950 is payable in Canadian or United States dollars at the holder's option.

Assets

According to the subjoined consolidated balance sheet as reported upon by the auditors of the Company, Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, the fixed and net current assets of The Great Lakes Paper Company, Limited and its wholly-owned subsidiary, Superior Timber Company, Limited as at December 31, 1946, were as follows:

Mill site and other real estate	\$ 116,784.72
Mill Buildings and Equipment.....	\$12,177,006.48
Less reserve for depreciation	7,480,719.66
	4,696,286.82
Woods improvements, camp buildings and floating equipment.....	\$ 1,982,526.44
Less reserve for depreciation	1,017,909.27
	964,617.17
Timber concessions and licenses	\$ 4,349,920.09
Less reserve for depletion	969,358.21
	3,380,561.88
Net current assets.....	4,625,175.63
Combined Net Fixed and Net Current Assets	<u>\$13,783,426.22</u>

On the basis of the foregoing, combined net fixed and net current assets aggregated \$13,783,426.22 as at December 31, 1946. This sum, together with the net proceeds of \$1,700,000.00 to be received from the sale of Bonds of the 1967 Series, total \$15,483,426.22. This amount is equivalent to approximately \$2,450.00 for each \$1,000 First Mortgage Sinking Fund Bond, 3½% Series due 1966 and 3½% Series due 1967 to be outstanding in the aggregate principal amount of \$6,320,000.

The Company carries fire insurance of \$7,000,000 on the insurable buildings and equipment of its mill. According to the subjoined balance sheet, the depreciated book value of these fixed assets is shown at \$4,696,286. In addition, the Company carries other forms of insurance, including boiler and pressure vessel insurance, direct damage machinery insurance and use and occupancy insurance.

Management

The management, which has successfully guided the affairs of the Company in the past, will continue to direct its operations. All departments are headed by men with proven qualifications and long experience in the newsprint industry in Canada and the United States.

General

During the nine-year period from December 31, 1937 to December 31, 1946, the Company has improved substantially its financial position. Net current assets have increased from \$1,496,038 as at December 31, 1937 to \$4,625,175 as at December 31, 1946, an increase of \$3,129,137. Profits available for bond interest after depreciation and depletion but before taxes have increased from \$478,685 in 1937 to \$2,858,824 in 1946, an increase of \$2,380,139.

During this same period, capital expenditures made by the Company from cash resources totalled \$3,745,930 including \$1,391,118 for betterments to and equipment for the mill, \$1,830,895 for improvements in the woods department, roads, dams, camp buildings, mechanical and floating equipment, and \$523,917 for the acquisition of timber concessions. These expenditures have enabled the Company to increase its manufacturing efficiency and to improve its competitive position in the industry.

Its important list of contract customers and the advantageous situation of its mill in relation to the market served should enable the Company to continue its profitable operations, and to maintain its established position in the industry.

Yours very truly,

W. EARL ROWE

PRESIDENT AND
MANAGING DIRECTOR

THE GREAT LAKES PAPER COMPANY, LIMITED
(Incorporated under the Ontario Companies Act)
and its wholly-owned subsidiary
SUPERIOR TIMBER COMPANY, LIMITED
CONSOLIDATED BALANCE SHEET—As at 31st December, 1946

CURRENT ASSETS:		ASSETS		
Cash on hand and in banks			\$1,866,901.38	
Accounts receivable less reserve			1,364,534.18	
Inventories as determined and certified by the management and valued at cost—				
Prepared and rough wood	\$	681,263.37		
Pulps and paper		86,703.33		
Fuel, stores and supplies		847,841.83		
		<u>\$1,615,808.53</u>		
Less special reserve thereon		200,000.00	1,415,808.53	
Expenditures and advances on 1946-1947 woods operations, including inventories of provisions and camp supplies at cost			2,202,075.57	
Deposit with Mutual Insurance Companies			<u>101,824.77</u>	
			\$6,951,144.43	
FIXED ASSETS:		Asset	Reserve for depreciation	Net
Mill site and other real estate	\$	116,784.72	\$	\$ 116,784.72
Mill buildings and equipment		12,177,006.48	7,480,719.66	4,696,286.82
Woods improvements, camp buildings and floating equipment		<u>1,982,526.44</u>	<u>1,017,909.27</u>	<u>964,617.17</u>
				5,777,688.71
The fixed assets are carried at values placed thereon at inception of present company with later additions at cost; depreciation reserves include depreciation estimated to have accrued to date of transfer to present company.				
TIMBER CONCESSIONS AND LICENSES				\$4,349,920.09
Less reserve for depletion				<u>969,358.21</u>
				3,380,561.88
Timber concessions and licenses are carried at the value placed thereon at the inception of the present Company with subsequent additions at cost. The Company's indemnity bond for \$100,000 is held by the Crown as security for the performance of its obligations under these concessions.				
OTHER ASSETS:				
Deposits with Province of Ontario re timber concessions				\$71,243.73
Refundable portion of taxes on income (estimated)				12,000.00
Investment in shares of Minnesota and Ontario Paper Company (15,613 shares, approximate market value \$288,800)				1.00
Prepaid insurance and other deferred expenses				75,712.89
Sundry balances receivable				<u>18,725.71</u>
				177,683.33
				<u>\$16,287,078.35</u>
CURRENT LIABILITIES:		LIABILITIES		
Accounts payable and accrued charges			\$	862,083.23
Accrued bond interest				69,270.85
Reserve for income and excess profits taxes				1,214,614.72
Sinking fund instalment re first mortgage bonds due 1st May, 1947				<u>180,000.00</u>
				\$2,325,968.80
RESERVE FOR CONTINGENCIES				237,289.03
FIRST MORTGAGE BONDS:				
Authorized			<u>\$6,500,000</u>	
Issued—				
First Mortgage Sinking Fund Bonds, 3½% Series due 1966... (payable at the option of the holder in Canadian or United States funds)				\$4,750,000.00
Less sinking fund instalment due 1st May, 1947—included under current liabilities				<u>180,000.00</u>
				4,570,000.00
CAPITAL—AUTHORIZED AND ISSUED:				
100,000 Class "A" preference shares without nominal or par value				\$4,000,000.00
Ranking equally with Class "B" preference shares as to an initial fixed cumulative dividend of \$1.20 per share per annum, thereafter entitled to an additional fixed cumulative dividend of \$1.30 per share per annum, and thereafter ranking equally as to dividends with common shares.				
100,000 Class "B" preference shares without nominal or par value				1,000,000.00
Ranking equally with Class "A" preference shares as to fixed cumulative dividend of \$1.20 per share per annum.				
100,000 Common shares without nominal or par value				<u>2,500,000.00</u>
				<u>\$7,500,000.00</u>
EARNED SURPLUS				<u>1,653,820.52</u>
				9,153,820.52
CONTINGENT LIABILITY:				
Outstanding contracts for purchases of machinery and equipment—approximately \$550,000				<u>\$16,287,078.35</u>

NOTE: Since 31st December 1946 the provisions relating to the Company's share capital have been changed as a result of an arrangement under Section 64 of the Ontario Companies Act, which provided amongst other things for the sub-division of the 100,000 issued and outstanding common shares into 400,000 common shares, for the authorization of an additional 100,000 common shares and for amendments to the rights and limitations attaching to the Class "A" preference shares and to the Class "B" preference shares, including a provision which makes the Class "A" preference shares redeemable in whole or in part at any time at \$52.50 per share plus accrued dividends.

The Directors,
The Great Lakes Paper Company, Limited,
Toronto, Canada.

We have made an examination of the consolidated balance sheet of The Great Lakes Paper Company, Limited and its wholly-owned subsidiary Superior Timber Company, Limited as at 31st December 1946 and we report that in our opinion the above consolidated balance sheet has been drawn up so as to exhibit a true and correct view of the state of the Companies' affairs at 31st December 1946, according to the best of our information and the explanations given us and as shown by the books.

Toronto, Canada, 28th July 1947.

CLARKSON, GORDON & CO.
Chartered Accountants.

Statement Under The Securities Act, 1945 (Ontario)

1. The full name of the Company is THE GREAT LAKES PAPER COMPANY, LIMITED (hereinafter referred to as the "Company").

2. The Company was incorporated under The Companies Act of the Province of Ontario by Letters Patent dated 3rd April, 1936, which have been varied and amended by Supplementary Letters Patent dated 24th June, 1936, 20th June, 1946 and 20th May, 1947.

3. The address of the Head Office of the Company is Fort William, Ontario, and its Chief Executive Office is at 159 Bay Street, Toronto, Ontario.

4. The general nature of the business transacted by the Company is the manufacturing of newsprint paper and wood pulp.

5. The names, descriptions and addresses of the directors and officers of the Company are as follows:—

DIRECTORS

HON. W. EARL ROWE, P.C.....	Company Executive.....	Newton Robinson, Ontario
MAJOR-GENERAL D. M. HOGARTH..	Mining Executive.....	White Lodge, Glen Edyth Place, Toronto, Ontario
HON. RAY LAWSON, O.B.E., LL.D.	Financier.....	London, Ontario
R. G. MEECH, K.C.....	Company Executive.....	4 Avenue Road, Toronto, Ontario
W. C. COCHRANE.....	Wholesale Merchant.....	255 Roxborough Street E., Toronto, Ontario
ALEX. B. GORDON.....	Lumber Manufacturer.....	8 Old Forest Hill Road, Toronto, Ontario
JOSEPH HORNER, JR.....	Publisher.....	C/o Green Bay Press Gazette, Green Bay, Wisconsin, U.S.A.
J. H. BARRY.....	Publisher.....	C/o Knight-Newspapers, Inc., Detroit, Mich., U.S.A.
COL. MAXWELL C. G. MEIGHEN...	Financier.....	320 Bay Street, Toronto, Ontario

OFFICERS

HON. W. EARL ROWE, P.C.....	President and Managing-Director...	Newton Robinson, Ontario
MAJOR-GENERAL D. M. HOGARTH..	Vice-President.....	White Lodge, Glen Edyth Place, Toronto, Ontario
CHARLES ENGLAND.....	Secretary-Treasurer and Assistant to the President.....	106 Glendonwynne Road, Toronto, Ontario
WALLACE A. DELAHEY.....	Executive Manager.....	284 Glencairn Avenue, Toronto, Ontario
F. K. CARLISLE.....	Assistant Treasurer and Comptroller.....	11 Old Park Road, Toronto, Ontario
W. BRUCE SOUTON.....	Wood Lands Superintendent.....	328 South Archibald St., Fort William, Ontario
S. T. MCCAVOUR.....	Resident Engineer.....	1416 Cuthbertson Place, Fort William, Ontario
C. MICHELS.....	Mill Superintendent.....	1415 McGregor Ave., Fort William, Ontario

6. The Auditors of the Company are Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario.

7. The Registrar for the Bonds offered by this Prospectus is National Trust Company, Limited.

8. The authorized share capital of the Company consists of 100,000 Class "A" Preference Shares without nominal or par value, all of which are issued and are fully paid; 100,000 Class "B" Preference Shares without nominal or par value, all of which have been issued and are fully paid, and 500,000 Common Shares without nominal or par value, of which 400,000 Shares have been issued and are fully paid.

9. The rights and limitations attaching to each Class of Shares as set forth in the Supplementary Letters Patent of the Company dated 20th May, 1947, are as follows:—

(1) The holders of the Class "A" Preference Shares shall be entitled to receive, and the Company shall pay thereon out of moneys of the Company properly applicable to the payment of dividends as and when declared by the Board of Directors of the Company fixed, cumulative, preferential cash dividends at the rate of Two Dollars and Fifty Cents (\$2.50) per Share per annum, and the holders of the Class "B" Preference Shares shall have the right to receive and the Company shall pay thereon out of moneys of the Company properly applicable to the payment of dividends as and when declared by the Board of Directors of the Company fixed, cumulative, preferential cash dividends at the rate of One Dollar and Twenty Cents (\$1.20) per share per annum; and such preferential dividends shall be deemed to have accrued from the 1st day of January, 1947, and shall be payable quarterly on 31st March, 30th June, 30th September and 31st December in each year at the rate of

Sixty-two and One-half Cents ($62\frac{1}{2}c$) per quarter year on the Class "A" Preference Shares and at the rate of Thirty Cents (30c) per quarter year on the Class "B" Preference Shares and payment of such preferential dividends shall be made by cheque on the Company's Bankers payable at par at any Branch thereof in Canada except in the Yukon Territory.

Provided that if on any quarterly dividend payment date less than the full stipulated quarterly dividend aforesaid is paid on the Class "A" Preference Shares and the Class "B" Preference Shares, the substituted provisions referred to in sub-clauses (a) and (b) below shall apply in lieu of the foregoing provisions until such time as there shall have been declared and paid in the aggregate dividends at the rate of Two Dollars and Fifty Cents (\$2.50) per Share per annum on the Class "A" Preference Shares and One Dollar and Twenty Cents (\$1.20) per Share per annum on the Class "B" Preference Shares calculated from the 1st day of January, 1947, whereupon the foregoing provisions shall again apply and so on from time to time. The substituted provisions above referred to are as follows:

(a) The holders of the Class "A" Preference Shares and the holders of the Class "B" Preference Shares shall first each be entitled to receive a fixed, cumulative preferential quarterly dividend of Thirty Cents (30c) per share in each quarter year (hereinafter referred to as the "initial preferential dividend") in preference to and with priority over any further preferential dividends on said Class "A" Preference Shares, and if not so paid in full the said initial preferential dividend or the unpaid part thereof shall be paid as and when declared by the Board of Directors on a subsequent dividend payment date or dates on which the Company shall have sufficient moneys properly applicable to the payment of the same and before any subsequently accruing initial preferential dividend shall be paid on the Class "A" Preference Shares and Class "B" Preference Shares, and no further preferential dividends shall at any time be declared or paid upon or set apart for payment upon the Class "A" Shares until all said cumulative initial preferential dividends shall have been declared and paid or set apart for payment on the Class "A" Preference Shares and the Class "B" Preference Shares for the current quarterly dividend period and for all previous quarterly dividend periods.

(b) Whenever in any quarterly dividend period the Company shall have declared and paid or set apart for payment the said initial preferential dividends on the Class "A" and Class "B" Preference Shares and no initial preferential Class "A" and Class "B" dividends are in arrears, the holders of the Class "A" Preference Shares shall be entitled in such quarterly dividend period to receive an additional fixed, cumulative preferential quarterly dividend of Thirty-two and One-half Cents ($32\frac{1}{2}c$) per Share (hereinafter referred to as the "additional Class 'A' preferential dividend"), and if not so paid in full such additional Class "A" preferential dividend, or the unpaid part thereof, shall be paid as and when declared by the Board of Directors on a subsequent dividend payment date or dates on which the Company shall have sufficient moneys properly applicable to the payment of the same.

All dividends which have been declared in the year 1947 on the Class "A" Preference Shares and on the Class "B" Preference Shares as constituted on 31st December, 1946, shall be deemed to have been declared on account of and in satisfaction to that extent of the aggregate amount of the dividends to be declared and paid in the year 1947 on the Class "A" Preference Shares and on the Class "B" Preference Shares in accordance with the above provisions, and accordingly, all necessary dividend adjustments shall be made in the year 1947.

The holders of the Class "A" Preference Shares and the Class "B" Preference Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided.

(2) No dividends shall at any time be declared or paid on or set apart for the Common Shares or any part thereof, or on or for any Shares of the Company ranking junior to the Class "A" Preference Shares and the Class "B" Preference Shares nor shall the Company call for redemption any Class "A" Preference Shares less than the total amount of Class "A" Preference Shares then outstanding unless all the then accrued cumulative dividends on the Class "A" Preference Shares and the Class "B" Preference Shares then outstanding shall have been declared and paid or provided for up to and including the last quarterly dividend payable on the Class "A" Preference Shares and the Class "B" Preference Shares immediately prior to the date of such declaration or payment or setting apart or call for redemption.

(3) Subject to the provisions of clause (2) the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Class "A" Preference Shares outstanding from time to time in the market through or from an investment dealer or a firm holding membership on a recognized Stock Exchange at the lowest price at which, in the opinion of the Board of Directors, such Shares are obtainable but not exceeding the sum of Fifty-two Dollars and Fifty Cents (\$52.50) per Share and costs of purchase, together with an amount calculated as if the preferential dividends on such Shares were accruing up to the date of such purchase. From and after the date of purchase of any Class "A" Preference Shares under the provisions in this clause (3) contained the Shares so purchased shall be cancelled and shall no longer constitute any part of the authorized capital of the Company.

(4) Subject to the provisions of clause (2), the Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Class "A" Preference Shares on payment for each Share to be redeemed of the sum of Fifty-two Dollars and Fifty Cents (\$52.50) per Share, together with all unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the Shares so to be redeemed were accruing up to the date of such redemption). In case a part only of the then outstanding Class "A" Preference Shares is at any time to be redeemed the Shares so to be redeemed shall be selected by lot in such manner as the Directors or the Transfer Agent appointed by the Company in respect of the said Class "A" Preference Shares may determine.

(5) In any case of redemption of Class "A" Preference Shares under the provisions of clause (4) the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Shares to be redeemed a notice in writing of the intention of the Company to redeem such Shares. Such notice shall be mailed in a prepaid letter addressed to each such Shareholder at his address as it appears on the books of the Company

or in the event of the address of any such Shareholder not so appearing, then to the last known address of such Shareholder; provided however that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Shares held by the person to whom such notice is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Shares to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates for the Shares called for redemption. Such Shares shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the Shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice the holders of Shares called for redemption shall not be entitled to exercise any of the rights of Shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions in which case the rights of the holders shall remain unaffected. Should the holders of any Shares so called for redemption fail to present the certificates representing such Shares on the date specified for redemption the Company shall have the right to deposit the redemption price of such Shares to a special account in any chartered bank or any trust company in Canada to be paid without interest to or to the order of the respective holders of such Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Shares in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

(6) So long as any Class "A" Preference Shares remain outstanding and there are no dividends in arrears on the Class "A" Preference Shares or the Class "B" Preference Shares, the Company shall in each fiscal year commencing with the fiscal year ending 31st December, 1948, and within six months from the end of the then last preceding fiscal year of the Company, apply in the purchase (if obtainable) of Class "A" Preference Shares for cancellation in the manner and at not exceeding the price provided in clause (3), a sum equal to Seven per cent. (7%) of the balance of the net operating profits of the Company available for dividends (exclusive of any profits on realization of capital assets) for such then last preceding fiscal year as ascertained by the Company's Auditors, which shall remain after deducting therefrom an amount equal to the dividends upon the Class "A" Preference Shares and Class "B" Preference Shares accrued during such preceding fiscal year, and a sum equal to the dividends if any paid in such preceding fiscal year on the Class "A" Preference Shares and the Class "B" Preference Shares representing arrears of dividends accrued in a prior fiscal year or years; provided that to the extent that Class "A" Preference Shares cannot be so purchased within the said six months' period the obligation of the Company to apply such moneys in such purchase shall be at an end. Any Class "A" Preference Shares so purchased shall be cancelled and shall no longer constitute any part of the authorized capital of the Company. The Company may at any time by purchasing Class "A" Preference Shares in the manner and at not exceeding the price provided in clause (3), anticipate in whole or in part the obligation of the Company to apply such moneys in accordance with the foregoing requirements and in such case the Company shall be credited with the actual cost of such purchase of Class "A" Preference Shares in reduction and satisfaction to that extent of the amount of moneys to be subsequently applied in such purchase as aforesaid.

(7) No holder of any class of the Shares of the Company shall be entitled as of right to subscribe for or purchase or receive any part of any issue of shares, bonds, debentures or other securities of the Company now or hereafter issued.

(8) Except as hereinafter in this clause (8) specifically provided, the holders of Class "A" Preference Shares and the holders of Class "B" Preference Shares shall not be entitled to receive notice of or attend or vote at any meeting of the Shareholders of the Company.

The holders of Class "A" Preference Shares and the holders of Class "B" Preference Shares shall be entitled to receive notice of and to attend all meetings of the Shareholders of the Company called to consider the question of the sale of all or substantially all of the undertaking of the Company or the question of the voluntary winding up or liquidation of the Company or the question of the authorization of any additional Shares ranking prior to or *pari passu* with the Class "A" and Class "B" Preference Shares and to vote thereat on any such questions and to have one vote for each Class "A" Preference Share or Class "B" Preference Share held, and any such sale, liquidation, winding up or authorization of such additional Shares must be approved by the separate affirmative vote of the holders of a majority of all of the Class "A" Preference Shares for the time being outstanding and by the separate affirmative vote of the holders of a majority of all of the Class "B" Preference Shares for the time being outstanding.

The holders of Class "B" Preference Shares shall be entitled to receive notice of and to attend all Meetings of the Shareholders of the Company at which Directors are elected and shall be represented upon the Board of Directors of the Company by two (2) Directors out of not more than nine (9) Directors of the Company and shall at any such Meeting of Shareholders of the Company at which Directors are to be elected be entitled exclusively to elect two (2) Directors to represent them as aforesaid, upon whose election the holders of Common Shares of the Company and the holders of Class "A" Preference Shares (if they should then be entitled to vote) shall have no right to vote.

If the Company should fail to pay dividends on the Class "A" Preference Shares aggregating Five Dollars (\$5.00) per Share whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends, then so long as any dividends on the Class "A" Preference Shares remain in arrears, the holders of the Class "A" Preference Shares shall be entitled at all meetings of Shareholders (subject to the above mentioned exclusive right of the holders of Class "B" Preference Shares to elect two (2) Directors to represent them) to one (1) vote thereat in respect of each Class "A" Preference Share held.

(9) The holders of the Common Shares shall have full voting rights in respect thereof and shall be entitled to one (1) vote for each such Share.

[The said 100,000 Class "B" Preference Shares are presently registered in the name of a trustee, (hereinafter referred to as the "Trustee for the Publishers") under an Agreement dated 23rd June, 1936, as amended by an Agreement dated 1st January, 1946 and as modified by the Arrangement between the Company and its various classes of shareholders, dated 28th March, 1947 and confirmed by Supplementary Letters Patent on 20th May, 1947 (said Agreement as amended and modified being hereinafter referred to as the "Publishers' Trust Agreement") between the Company, the Trustee for Publishers and certain Publishers of newspapers. The Publishers who are presently parties to and entitled to the benefit of said Agreement have Newsprint Contracts with the Company which terminate on the 31st day of December, 1955, but may be renewed for a further period of five (5) years on the terms and conditions therein contained. Certain of the Publishers have indicated their intention of renewing their Contracts for such further period. The said Publishers' Trust Agreement provides inter alia that at the termination of the Newsprint Contracts, or if renewed upon the termination of the renewed term thereof, the Trustee for Publishers shall hold the said 100,000 Class "B" Preference Shares as presently constituted until all claims of the Publishers under the Publishers' Trust Agreement as amended and modified shall have been paid in full, that is, until each Publisher shall have received an amount equal to One Dollar (\$1.00) for each ton of newsprint purchased by it from the Company during each year of the currency of its Newsprint Contract and any renewal thereof as aforesaid, whereupon the said 100,000 Class "B" Preference Shares shall be surrendered to the Company for cancellation].

10. The \$1,750,000.00 in principal amount of First Mortgage Sinking Fund Bonds, 3½% Series due 1967 offered by this Prospectus (hereinafter sometimes referred to as the "Bonds of the 1967 Series"), will be equally and rateably secured with the \$4,750,000.00 in principal amount of First Mortgage Sinking Fund Bonds, 3½% Series due 1966 (hereinafter sometimes referred to as the "Bonds of the 1966 Series") heretofore issued by the Company and now outstanding in the principal amount of \$4,570,000.00, except in so far as any sinking, amortization, renewal or other analogous fund may afford additional security for the Bonds of either Series, all as indicated on pages 3 and 4 of this Prospectus under the caption "Security". There are no other bonds or debentures or other securities issued or proposed to be issued which if issued will rank ahead of or *pari passu* with the Bonds of the 1967 Series.

11. The Company is proceeding with a programme of capital expenditure for the purpose of increasing the capacity and efficiency of its Fort William Mill at an estimated cost of \$2,625,000.00 and which will include the following:—

(a) Modernization of the Groundwood Division by replacement of obsolete grinding equipment installed in 1924 by new Waterous G.N. Grinders including new electrical equipment auxiliary thereto; increases in screening and deckering capacity and the necessary changes and extension to the groundwood mill buildings; extension of the Steam Plant by installation of an additional 100,000 lb. Hour Boiler Unit and building extension for same; extension of Bark Burning facilities and modernization of firing equipment for No. 1 Boiler Unit; changes to two existing paper machines and installation of additional equipment to enable operation of machines at higher speeds; at an estimated cost of \$2,150,000.00; and

(b) Purchase and installation of miscellaneous machinery and equipment incidental to the above mentioned extensions and improvements at an estimated cost of \$475,000.00.

In connection with the above mentioned programme of capital expenditure, the Company has already made contract commitments in the ordinary course of business and on the general credit of the Company to a total aggregate amount of \$1,586,089.00 on which progress payments have been made as of June 30th, 1947, to an aggregate amount of \$483,110.00. The Balance Sheet of the Company as of December 31st, 1946, filed with the Commission, does not disclose these contract commitments for buildings, machinery and equipment now in process of fabrication or installation, nor does such Balance Sheet disclose the indebtedness to be created by the issue of the Bonds of the 1967 Series. It is expected that the Company will enter into further contract commitments in connection with the above mentioned capital expenditure programme, and a further substantial portion of the cost of such programme will be represented by direct expenditures of the Company in completing installations. The contract prices quoted to the Company are in the main subject to the usual escalator provisions providing for adjustment to future changes in costs of labour and material. The Company has not given, and does not propose to give, any security for any indebtedness incurred by reason of such contracts, but the contracts for machinery and equipment contain the usual provisions providing for the continuance of the contractors' title and right to possession until machinery and equipment have been fully paid for.

12. There are no securities of the Company covered by options outstanding or proposed to be given by the Company.

13. By Agreement dated 30th July, 1947, the Company has agreed to sell to McLeod, Young, Weir & Company Limited, Wood, Gundy & Company Limited and Gairdner & Company Limited, hereinafter called the "Underwriters," and the Underwriters have agreed to purchase from the Company \$1,750,000.00 in principal amount of First Mortgage Sinking Fund Bonds, 3½% Series due 1967 of the Company (being the Bonds offered by this Prospectus and being herein sometimes referred to as the "Bonds of the 1967 Series") for the aggregate sum of \$1,700,000.00 and accrued interest on the principal amount of said Bonds from the date thereof to the date of delivery. The terms of the said Bonds of the 1967 Series and the issue price thereof to the public are shown on the first page of this Prospectus, of which this statement forms part. The Company in the year 1946 sold \$4,750,000.00 in principal amount of First Mortgage Sinking Fund Bonds, 3½% Series due 1966 (sometimes referred to herein as the "Bonds of the 1966 Series") for the sum of \$4,750,000.00 (and accrued interest) in United States funds. A commission of \$71,250.00 in United States funds was paid in connection with the said sale of the Bonds of the 1966 Series.

14. The estimated net proceeds to be derived by the Company from the Bonds of the 1967 Series offered by this Prospectus on the basis of same being fully taken up and paid for is \$1,700,000.00.

15. The purpose of the issue and sale of the Bonds of the 1967 Series offered by this Prospectus is to supply the Company with a portion of the funds, represented by the proceeds of such sale, required to finance the programme of capital expenditure referred to in paragraph 11 and the source of the balance of the moneys (estimated at \$925,000.00) required for such purpose will be the general

funds of the Company. The special purposes to which the proceeds of the sale of the said Bonds of the 1967 Series and said general funds of the Company are to be applied and the approximate amounts to be devoted for such purposes, are set forth in paragraph 11 hereof.

The proceeds of the sale of the said Bonds of the 1967 Series will be paid by the Underwriters directly to the Company, but prior to the issue and as a basis for the issue of said Bonds of the 1967 Series the Company is obliged to deposit with National Trust Company, Limited, as Trustee, the sum of \$1,750,000.00 in cash, which, until withdrawn by the Company, will form part of the specifically mortgaged property for the security of the Bonds of the 1966 Series and the Bonds of the 1967 Series and which may be paid out by the Trustee to the Company only in accordance with the provisions set forth in the Original Trust Deed and Supplemental Indenture referred to on pages 3 and 4 of this Prospectus under the caption "Security".

16, 31, 33. No Shares are offered by this Prospectus.

17. The particulars showing the date of, and the parties to, the Agreement with the Underwriters in respect of the securities offered by this Prospectus and the price payable by the Underwriters for such securities are set out in paragraph 13 hereof.

18. The By-laws of the Company contain the following provisions relating to the remuneration of Directors:—

"The remuneration to be paid the Directors shall be such as the Board shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer of the Company who is also a member of the Board of Directors. The Directors may also by Resolution award special remuneration out of the funds of the Company to any Director undertaking any special work or mission on the Company's behalf other than the routine work ordinarily required of a Director of the Company, and the confirmation of any such Resolution or Resolutions by the Shareholders at a General Meeting shall not be required as a condition precedent to the validity thereof or of any payment or payments made thereunder."

19. The aggregate remuneration paid by the Company during its last financial year ending 31st December, 1946, to Directors of the Company was \$5,440.00, and the estimated amount to be paid to Directors during the current financial year is \$10,000.00. The aggregate remuneration paid by the Company during its last financial year ending 31st December, 1946, to officers of the Company who individually have received remuneration in excess of \$10,000.00 per annum was \$52,705.00, and the aggregate of such remuneration estimated to be paid during the current financial year is approximately \$70,000.00.

20. The amount paid as commission within the two years preceding the date of this Prospectus, or payable as a commission by the Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company is shown in paragraph 13. The sale price received and receivable by the Company in respect of the sale of its Bonds of the 1966 Series and Bonds of the 1967 Series is set forth in said paragraph 13.

21, 30. The Company has been carrying on business since the year 1936.

22, 23. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the Bonds of the 1967 Series, or has been paid within the last two preceding years or is to be paid in whole or in part in securities of the Company or the purchase or acquisition of which has not been completed at the date of this statement, except property purchased on the general credit of the Company including property purchased in connection with the programme of capital expenditure referred to in paragraph 11.

24. The Company has not within the two years preceding the date of this Prospectus issued or agreed to issue any securities as fully or partly paid up otherwise than in cash.

25. The security which has been and will be created for the Bonds of the 1967 Series which are offered by this Prospectus and a description of the property comprised or to be comprised in such security and of the nature of the Company's title to such property appears on pages 3 and 4 of this Prospectus under the caption "Security".

26. No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities offered by this Prospectus or within the last two preceding years or are to be paid for by securities of the Company exclusive of the amounts included in paragraph 20 and exclusive of any services which have been or may be rendered to the Company in connection with the capital expenditure programme referred to in paragraph 11 and which may be necessarily incidental thereto.

27. The Company has not within the two preceding years paid any amount to any promoter and does not intend to pay any amount to any promoter.

28. The dates of, and parties to, and the general nature of every material contract entered into within the two preceding years (other than contracts in the ordinary course of business) are as follows:—

(1) Contract dated 31st July, 1946, between the Company as vendor and The Mutual Life Insurance Company of New York as purchaser, providing for the sale to the purchaser of \$2,375,000.00 in principal amount of Bonds of the 1966 Series at 100% of the principal amount thereof plus accrued interest thereon to the date of delivery (in United States funds).

(2) Contract dated 31st July, 1946, between the Company as vendor and The Northwestern Mutual Life Insurance Company as purchaser, providing for the sale to the purchaser of \$2,375,000.00 in principal amount of Bonds of the 1966 Series at 100% of the principal amount thereof plus accrued interest thereon to the date of delivery (in United States funds).

(3) Deed of Trust and Mortgage dated as of the 1st day of August, 1946, made between the Company and National Trust Company, Limited, as Trustee, to secure the First Mortgage Bonds of the Company in the aggregate principal amount of \$6,500,000.00 in lawful money of the Dominion of Canada or in lawful money of the United States of America, or in both currencies, or partly in one currency and partly in the other, at the option of the Company.

(4) Agreement dated 30th July, 1947, made between the Company and McLeod, Young, Weir & Company Limited, Wood, Gundy & Company Limited and Gairdner & Company Limited as Underwriters, more particularly referred to in paragraph 13.

The Company proposes to enter into a Supplemental Indenture dated as of the 1st day of August, 1947, between the Company and National Trust Company Limited, as Trustee, in respect of the issue of the \$1,750,000.00 in principal amount of Bonds of the 1967 Series.

In connection with its capital expenditure programme more particularly referred to in paragraph 11 hereof, the Company has entered into numerous contracts in the ordinary course of business and on the general credit of the Company. Copies of all of such contracts, and of the contracts specifically enumerated above, may be inspected at the Executive Offices of the Company, 159 Bay Street, Toronto, during ordinary business hours, as well as a draft of the above mentioned Supplemental Indenture to be dated as of 1st August, 1947.

29. No Director has any interest in any property presently proposed to be acquired by the Company.

32. No securities of the Company are held in escrow, to the knowledge of the Company.

The foregoing constitutes full and complete disclosure of all material facts in respect of the application for filing particulars of this Issue with the Ontario Securities Commission as required under Section 49 of The Securities Act, 1945 (Ontario), and there is no further information applicable other than as contained therein and in the financial statements where required.

Dated at Toronto, August 7, 1947.

DIRECTORS

W. EARL ROWE

D. M. HOGARTH

M. C. G. MEIGHEN

RAY LAWSON

A. B. GORDON

R. G. MEECH

By his agent, W. EARL ROWE

J. H. BARRY

W. C. COCHRANE

By his agent, W. EARL ROWE

By his agent, W. EARL ROWE

JOS. HORNER

By his agent, W. EARL ROWE

UNDERWRITERS

MCLEOD, YOUNG, WEIR & COMPANY LIMITED
By TREVOR F. MOORE

WOOD, GUNDY & COMPANY LIMITED
By C. L. GUNDY

GAIRDNER & COMPANY LIMITED
By A. G. WALWYN

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than ten per centum in the capital of McLeod, Young, Weir & Company Limited: D. I. McLeod, W. E. Young, J. G. Weir and J. H. Ratcliffe.

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than ten per centum in the capital of Wood, Gundy & Company Limited: J. H. Gundy, H. W. Lofft, W. N. McIlwraith, W. P. Scott, A. H. Williamson.

The following list of Directors includes the names of every person having an interest, either directly or indirectly, to the extent of not less than five per centum in the capital of Gairdner & Company Limited: J. A. Gairdner, J. P. Crysedale, G. P. Watt, A. G. Walwyn, R. O. Bull, C. W. MacLean, R. P. Howard, J. H. Gairdner.

